

MEMORANDUM

TO: Mayor Craig Brown and Members of Council

CC: City Manager Office, Executive Leadership Team, City Attorney Office

FROM: Sally Bakko, Director of Policy and Governmental Relations

DATE: July 22, 2022

RE: Legislative Report: Austin and Washington Updates

Please find below updates on legislative activities in Austin and Washington. (*To access links below, control+click on link.*)

Austin Update

TWIA Committee Biennium Report Includes Galveston Legislative Proposal

On Wednesday, July 20th, the Texas Windstorm Insurance Association (TWIA) Legislative & External Affairs Committee agreed to include for consideration the City of Galveston legislative proposal in the draft Biennial Report that will be presented to the TWIA Board of Directors when they convene in Galveston on the August 2nd. The Biennial Report must be submitted to the Texas Legislature, the Insurance Commissioner, and the Sunset Advisory Commission in the year before a legislative session. By statute, the report must include any proposed statutory or regulatory changes, reasons for the changes, and information on TWIA operations or procedures that is requested by the Texas Department of Insurance. See [meeting materials](#). I have also attached the City of Galveston factsheet submitted to the Committee and a copy of the verbal comments I made during public comment virtually at the meeting.

The City of Galveston proposal envisions transitioning TWIA from the existing primary insurer role of writing policies and processing claims to a reinsurer role that would incentivize greater private insurer windstorm insurance participation in the coastal counties. TWIA as a limited reinsurer would market low cost attachments to private insurers allowing them to pass on risk above \$25,000 to TWIA. As a reinsurer, TWIA can shed costly administrative, claims processing and adjudication expenses currently experienced as a primary insurer. TWIA would assume a limited reinsurer role that would not compete with private market reinsurers, but assume risk above the \$25,000 up to an amount negotiated with the private market. TWIA would require private reinsurance, but a streamlined amount of reinsurance.

TWIA Board member Ron Walenta, suggested FAIR Plan could play a role in the reinsurer proposal. Similar to private insurers, FAIR Plan could write windstorm policies in the 14 counties (cases where the private market has declined) and pass on risk above \$25,000 to TWIA as envisioned in the reinsurer role concept. Mr. Walenta pointed out during Hurricane Harvey, TWIA processed 76,722 claims (a total of \$1.5 billion paid) of which 9,482 exceeded the proposed \$25,000 attachment. In the Harvey case, under the reinsurer role proposal, the private market would have paid \$566 million in claims and TWIA as a limited reinsurer would have paid the remaining roughly \$900 million.

Forming a small group (possibly three people) was suggested to examine lingering questions as to how a reinsurer role transition would work:

1. What is the impact on policyholders when transitioning TWIA to a reinsurer role?
2. Would the private market be willing to assume smaller windstorm claims formerly handled by TWIA?
3. Would limiting risk at \$25,000 offer effective incentive to the private insurance market to write windstorm policies in the 14 counties without a legislative mandate?
4. How would the TWIA reinsurer premium rate be set and is this an expense the private market would be willing to assume?

Committee Chairman Michael Gerik is expected to recommend the TWIA Board chairman appoint this small exploratory subcommittee. Following the Committee meeting it was suggested to me that Galveston's city manager would be a useful participant. If asked, Brian Maxwell expressed his willingness to participate in this subcommittee.

The Committee also agreed to include a statewide surcharge proposal in the Biennium Report for consideration. Industry proposes a surcharge on policies statewide to increase funds in Catastrophe Reserve Trust Fund (CRTF) to \$1 billion. Once the \$1 billion goal is reached, the surcharge would end. The surcharge would replace the public security funding layers, but the proposal would continue the existing \$1 billion layer of member company assessment funding.

Texas Legislature – Interim Charge Committee Hearings

Texas House Committee on Natural Resources Hearing on August 23rd

The Committee will meet at 10:00 am on Tuesday, August 23rd, in Austin to hear invited and public testimony on the following charge:

- Monitor the implementation of SB 1160, relating to the creation of the Gulf Coast Protection District, and explore ways in which the state can further support the construction of a coastal barrier system.
- Review the adequacy and efficiency of current mechanisms used to compensate water right holders when the Texas Commission on Environmental Quality temporarily transfers a water right under an emergency authorization. Make appropriate recommendations for the protection of private property rights of water right holders.

Texas House Committee on Natural Resources Hearing on August 24th

The Committee will meet at 10:00 am on Wednesday, August 24th, in Austin to hear invited and public testimony on the following charge:

- Examine the condition of Texas' water and flood mitigation infrastructure capabilities and consider future infrastructure needs. Evaluate sustainable funding sources to provide for water project development and infrastructure repair and replacement. Examine and recommend cost-effective improvements that enhance the state's available water supply.
- Examine the state's groundwater management policy and regulatory framework. Include a review of large-scale water transfers and their impact on groundwater resources. Make appropriate recommendations for legislation or state agency action to:
 - provide adequate transparency to the permit application process;
 - further the state's groundwater quality protection efforts, including an assessment of risks posed to groundwater by abandoned and deteriorated water wells and orphan oil and gas wells; and

- promote conservation and waste prevention.

Washington Update

House Passes FY 2023 Appropriations Package – Includes Scholes Airport Projects

This week the House passed H.R. 8294, combining six appropriations bills for fiscal year 2023 into a “minibus” covering Transportation-Housing and Urban Development (includes the Galveston projects); Agriculture; Energy-Water; Financial Services-General Government; Interior-Environment; and Military Construction-Veterans Affairs. The bill package includes Community Project Request funding for three (3) Scholes International Airport projects: 1) Reconstruction of 32,400 square feet of general aviation ramp (\$1,800,000); 2) Move and reconstruct Taxiway E on the closed runway and decommission existing Taxiway E (\$3,780,000); and 3) Drainage improvements to the south side of the airfield (\$1,650,000).

Two City of Galveston of Community Project Funding Requests are included in the FY 2023 Homeland Security appropriations bill that still awaits House floor action: 1) Galveston Causeway Waterline (\$10 million); and 2) Galveston 59th Street Water Storage Tank (\$10 million). However, partisan disagreements and divisions within the Democratic majority on defense spending levels, border security policies and law enforcement are delaying floor action on the Defense, Homeland Security, and Commerce-Justice-Science appropriations bills. To date, the Senate has not taken any action on FY 2023 appropriations bills.

Treasury Releases SLFRF Reporting Webinar on Making Edits and Revisions

The Treasury Department posted a reporting webinar to assist with reporting responsibilities for the State and Local Fiscal Recovery Funds (SLFRF) program. The webinar is for the Quarter 2 Project and Expenditure Report and looks at updates to revisions and bulk editing functions, providing examples of what to do when edits and revisions are needed to previous submissions. Reporting webinars can be found [here](#).

Reports of Interest

FTA Transit Bus Accident Investigations – Background Research Report

FTA recently published the [Transit Bus Accident Investigations—Background Research Report](#) which supports [FTA’s Effective Practices in Transit Bus Accident Investigations Report](#). The background research focuses on the Safety Management Systems (SMS) approach and can help guide public transit agency decision-making and support accident investigation procedure modification. Access this [background research report](#), and other [FTA research reports](#) on the FTA website.

Department of Justice Grant Funding in the Bipartisan Safer Communities Act

Congressional Research Service

Streamlining Emergency Management: Issues, Impacts, and Options for Improvement

Homeland Security Operational Analysis Center